

DIRECT TESTIMONY

OF

ERIC LOUNSBERRY

ENGINEERING DEPARTMENT

ENERGY DIVISION

ILLINIOS COMMERCE COMMISSION

UNION ELECTRIC COMPANY

d/b/a

AMERENUE

DOCKET NO. 02-0729

AUGUST 21, 2003

1 Q. Please state your name and business address.

2 A. My name is Eric Lounsberry, and my business address is 527 East Capitol  
3 Avenue, Springfield, Illinois 62701.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by the Illinois Commerce Commission ("Commission") as a  
6 Supervisor of the Gas Section of the Engineering Department of the Energy  
7 Division.

8 Q. Please state your educational background and work experience.

9 A. I received a Bachelor of Science degree in Civil Engineering from the University  
10 of Illinois and a Master of Business Administration degree from Sangamon State  
11 University (now known as University of Illinois at Springfield).

12 Q. What are your primary responsibilities and duties as the Supervisor of the Gas  
13 Section of the Energy Division's Engineering Department?

14 A. I assign my employees or myself to cases, provide training, and review work  
15 products over the various areas of responsibility covered by the Gas Section. In  
16 particular, the responsibilities and duties of Gas Section employees include  
17 performing studies and analyses dealing with day-to-day, and long term,  
18 operations and planning for the gas utilities serving Illinois. For example, Gas  
19 Section employees review purchased gas adjustment clause reconciliations, rate  
20 base additions, levels of natural gas used for working capital, and utility

21 applications for Certificates of Public Convenience and Necessity. They also  
22 perform audits of utility gas meter shops.

23 Q. What is the purpose of this proceeding?

24 A. On November 7, 2002, the Commission initiated its annual reconciliation  
25 investigation relating to the purchased gas adjustment clause ("PGA") for  
26 calendar year 2002 filed by Union Electric Company ("UE" or "Company")  
27 pursuant to Section 9-220 of the Illinois Public Utilities Act. This investigation was  
28 initiated to determine whether UE's PGA clause reflects actual costs of gas and  
29 gas transportation for calendar year 2002 and whether those costs were  
30 prudently incurred.

31 Q. What is your assignment in this proceeding?

32 A. My assignment is to determine if UE's natural gas purchasing decisions made  
33 during the reconciliation period were prudent.

34 Q. Have you made a determination as to whether UE's natural gas purchasing  
35 decisions were prudent?

36 A. Yes. Using the Commission's criteria for prudence, I have determined UE's  
37 natural gas purchasing decisions were prudent.

38 Q. What criteria does the Commission use to determine prudence?

39 A. The Commission has defined prudence as:

40           **[...] that standard of care which a reasonable person would be**  
41           **expected to exercise under the circumstances encountered by**  
42           **utility management at the time decisions had to be made. In**  
43           **determining whether or not a judgement was prudently made,**  
44           **only those facts available at the time the judgement was**  
45           **exercised can be considered. Hindsight review is**  
46           **impermissible.**

47           **Imprudence cannot be sustained by substituting one's**  
48           **judgment for that of another. The prudence standard**  
49           **recognizes that reasonable persons can have honest**  
50           **differences of opinion without one or the other necessarily**  
51           **being 'imprudent'. (Commission v. Commonwealth Edison**  
52           **Company, Docket No. 84-0395, Order dated October 7, 1987,**  
53           **page 17).**

54    Q.    What material did you review to determine the prudence of UE's natural gas  
55           purchasing decisions during the reconciliation period?

56    A.    I reviewed the direct testimony of UE witnesses James J. Massmann and Van R.  
57           Robinson. I also reviewed the Company's responses to numerous data requests  
58           that directly addressed issues related to the prudence of UE's natural gas  
59           purchasing.

60    Q.    Does this conclude your direct testimony?

61    A.    Yes.

**STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION**

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<b>ILLINOIS COMMERCE COMMISSION</b>	:	
<b>On Its Own Motion</b>	:	
<b>-vs-</b>	:	
<b>UNION ELECTRIC COMPANY</b>	:	<b>02-0729</b>
	:	
<b>Reconciliation of revenues collected under gas</b>	:	
<b>adjustment charges with actual costs prudently</b>	:	
<b>incurred.</b>	:	

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**NOTICE OF FILING**

**TO ATTACHED SERVICE LIST:**

**YOU ARE HEREBY NOTIFIED** that we have, on this 21<sup>st</sup> day of August 2003 forwarded to the Chief Clerk of the Illinois Commerce Commission for filing in the above-captioned docket, the Direct Testimony of the Illinois Commerce Commission Staff Witness Eric Lounsberry of the Energy Division, Engineering Department, a copy of which is hereby served upon you.

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Steven R. Knepler  
Supervisor  
Accounting Department  
527 East Capitol Avenue  
Springfield, IL 62701

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**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY THAT** copies of the foregoing Notice, together with the documents referred to therein, were served upon the parties on the attached Service List, by messenger, electronic mail, facsimile and/or first-class mail, proper postage prepaid from Springfield, Illinois, on this 21<sup>st</sup> day of August 2003.

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Steven R. Knepler  
Supervisor  
Accounting Department

**UNION ELECTRIC COMPANY**  
**Docket No. 02-0729**  
**Service List**

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**ILLINOIS COMMERCE COMMISSION**

Larry Jones, Administrative Law Judge  
Theresa Ebrey, Case Manager, Accounting Department  
Steven Knepler, Accounting Department  
Donald McGuire, Accounting Department  
Eric Lounsberry, Engineering Department